

LRSD - Fact Sheet on Reserves as at August 31, 2020

Presented to the Board – January 19, 2020



Livingstone Range
SCHOOL DIVISION

1) What is the definition of accumulated surplus found on the Audited Financial Statements?

The accumulated surplus number represents the division's "reported net economic resources" (Assets minus Liabilities). An accumulated surplus indicates that a division has net resources (financial and physical) that can be used to provide future services.

2) What makes up the accumulated surplus?

There are five reserve categories that together make up the accumulated surplus:

Investment in tangible capital assets – this represents the remaining book value of tangible assets that were purchased in previous periods.

Endowments - a donation of money or property held which uses the resulting investment income for a specific purpose.

Unrestricted Surplus - normally represents the portion of accumulated operating surplus that is not designated or restricted by the Board or Management.

Operating reserves - are funds that have been designated for specific operating purposes.

Capital reserves – are funds held for the use of acquiring future capital assets.

3) What is the level of LRSD reserves available for future services? (Prior Year in Brackets)

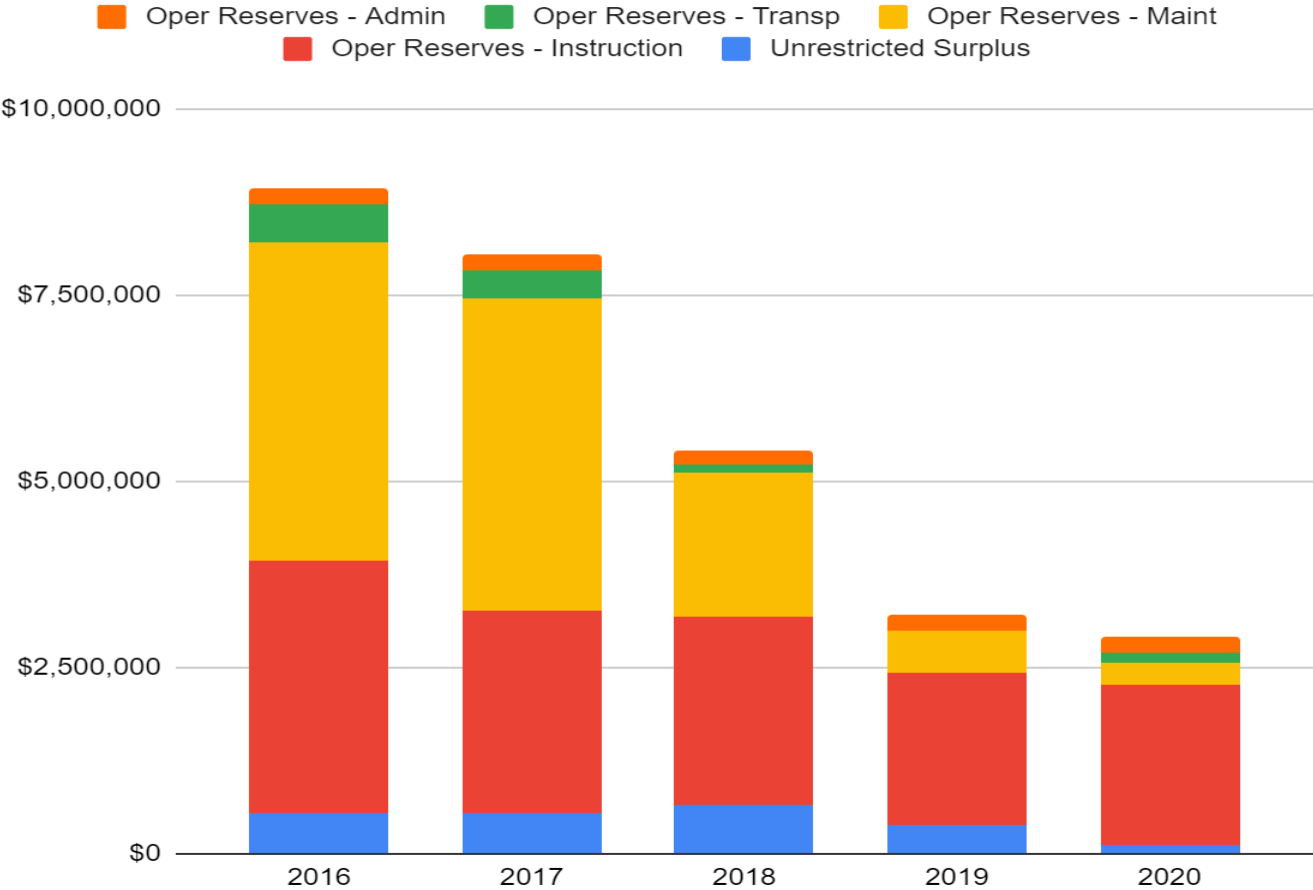
	Unrestricted Surplus	Operating Reserves	Capital Reserves
School & Instruction	\$106,216 (\$397,173)	\$2,159,555 (\$2,031,109)	\$203,054 (\$361,105)
Maintenance		\$308,799 (\$573,316)	\$1,719,363 (\$1,665,205)
Transportation		\$114,759 (\$0)	\$388,590 (\$392,312)
Board & System Admin		\$210,000 (\$210,000)	\$59,138 (\$20,068)
Totals	\$106,216 (\$397,173)	\$2,793,113 (2,814,425)	\$2,370,145 (\$2,438,690)

Funds invested in Tangible Capital Assets is \$6,920,059 and there are no endowments.

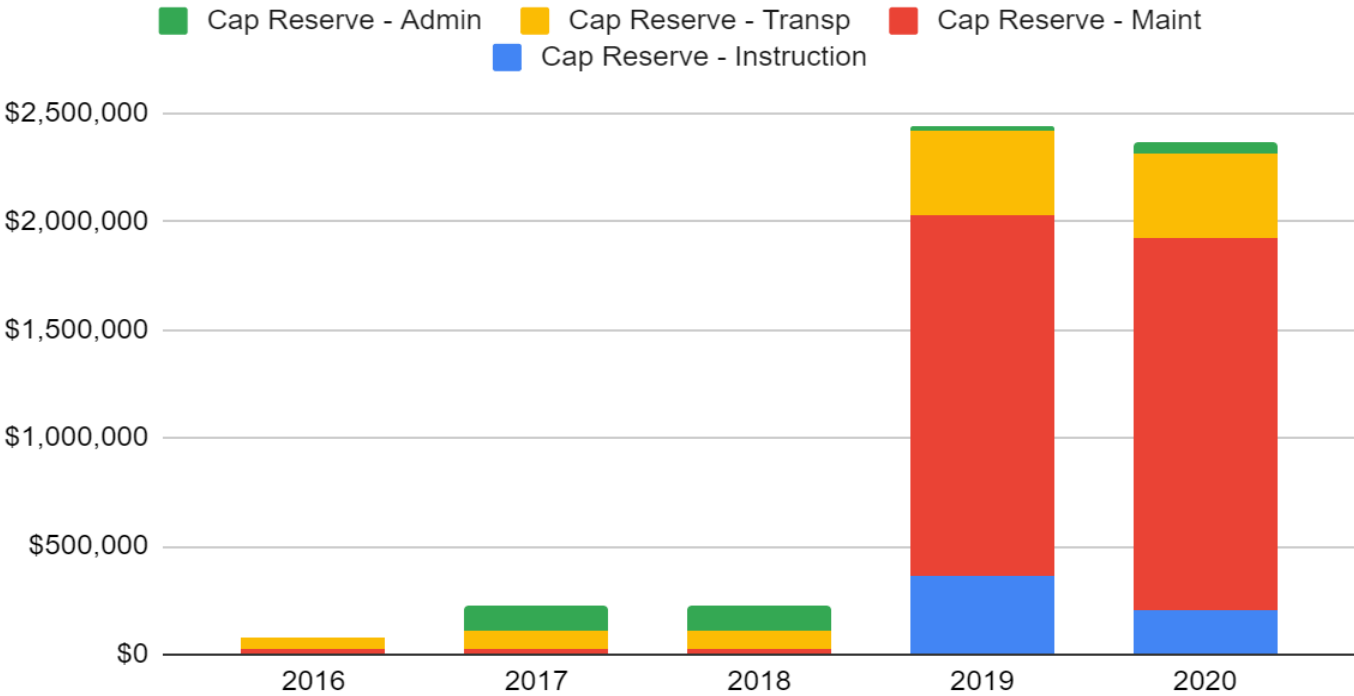
4) What was the change in LRSD Reserves from the prior year?

Overall the reserves in the table above decreased by (\$380,814) during the 2019-2020 School Year. This was due in large part to: 1. The division planned for an operating deficit and at yearend the deficit was (\$301,253). The majority of the break down was a reduction in School & Instruction unrestricted surplus and operating reserves of (\$162,511), a reduction in maintenance operating reserves of (\$264,517), and an increase in transportation operating reserves of \$114,759. 2. Capital reserves overall were reduced by (\$68,545) as the amount of non-school building capital assets purchased during the year was greater than the amortization amount of the existing capital assets.

UNRESTRICTED SURPLUS & OPERATING RESERVES



CAPITAL RESERVES



5) What is an appropriate level of operating reserves for school boards?

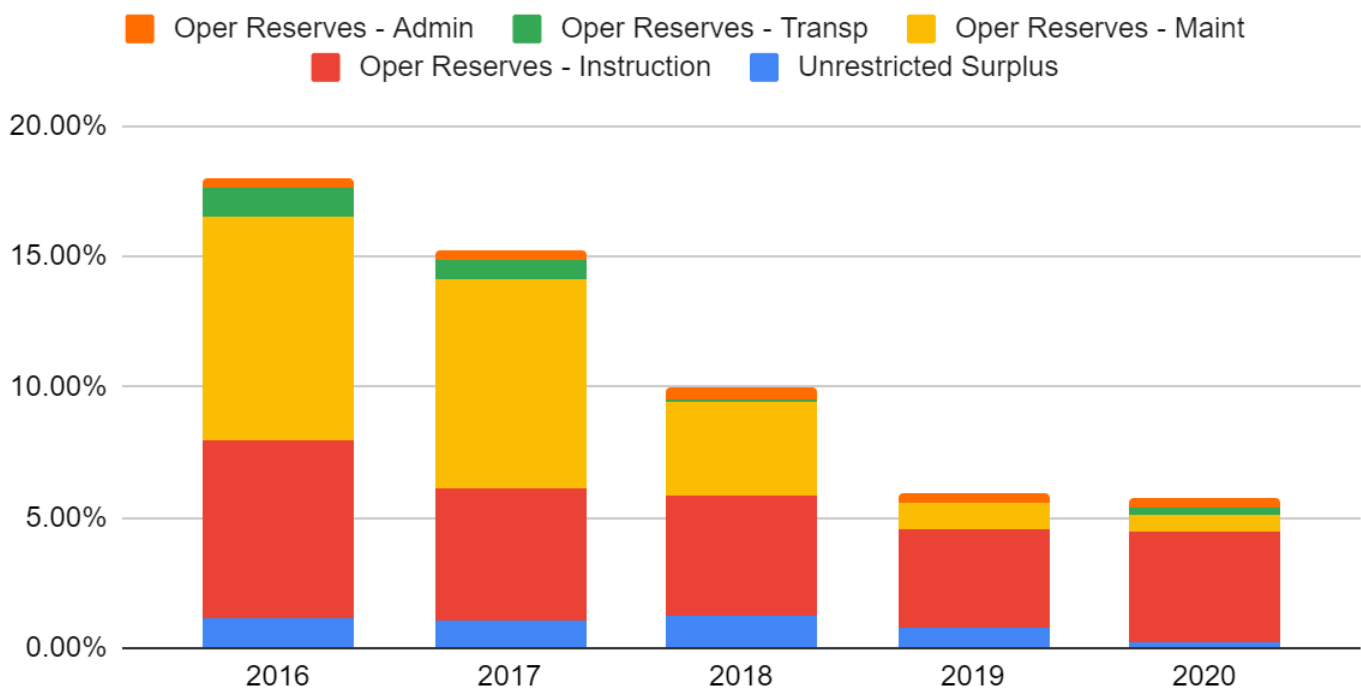
In May of 2015 the Association of School Business Officials of Alberta issued a release titled “Reasonable Reserves” which was to be forwarded to Alberta Education recommending operating reserves of 2%-8% of total operating expenditures. More recently the Auditor General communicated to AB Education that 5% of operating expenditures is a reasonable number.

	% of Exp - 2016	% of Exp - 2017	% of Exp - 2018	% of Exp - 2019	% of Exp - 2020
Unrestricted Surplus	1.11%	1.05%	1.21%	0.74%	0.21%
School & Instruction	6.87%	5.11%	4.61%	3.78%	4.29%
Maintenance	8.59%	7.98%	3.59%	1.07%	0.61%
Transportation	1.05%	0.70%	0.15%	0.00%	0.23%
Board & System Admin	0.42%	0.40%	0.39%	0.39%	0.42%

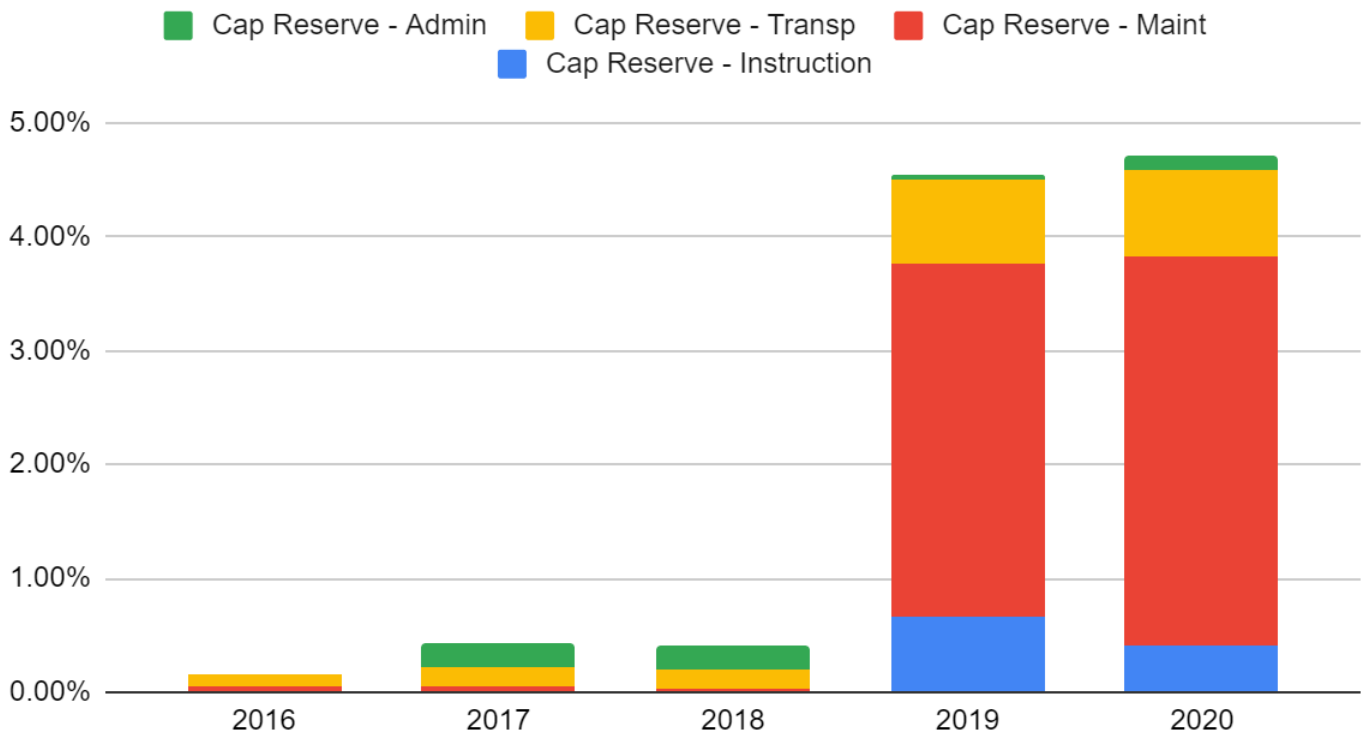
LRSD unrestricted surplus and operating reserves for instruction (4.5%) are below the 5% threshold however the division overall when including Plant Operations and Maintenance, Transportation and Board & System Admin has a percentage of 5.76%. It was anticipated with a planned deficit in the year 2019-2020 that this ratio would be below the 5% threshold however due to COVID-19, expenditures were significantly lower resulting in a higher percentage.

Formula: Reserves / Lower Total Expenditure Amount = Higher Percentage

UNRESTRICTED SURPLUS & OPERATING RESERVES BY % OF ANNUAL EXP'S



HISTORICAL CAPITAL RESERVES BY % OF ANNUAL EXP'S



6) How will LRSD use current reserves in 2020-2021 School Year

	Description of use of funds	Amount
Unrestricted	COVID-19 supplies, cleaning time	\$106,216
Schools	COVID-19 supplies, sub costs, sustain International Program	\$282,487
Maintenance	To cover increase in insurance above maintenance revenues	\$278,000

7) What are the board approved reserves held for?

	Unrestricted Surplus	Operating Reserves	Capital Reserves
School & Instruction	- LRSD funds carried in unrestricted will be used to offset higher operational expenditures due to COVID-19 in the 2020-2021 school year. (Supplies and cleaning time)	<ul style="list-style-type: none"> - The division where possible will maintain a reasonable operational contingency for schools. - International Program reserve will be used in 2020-2021 to sustain a smaller program due to COVID-19. - Instructional Pool will hold a reasonable contingency in the following areas: Certificated Staffing, Support Staff, Complex Needs, Divisional Initiatives, CTS Equipment and Technology. - Funds will also be used to cover COVID-19 supplies – sub costs 	- Capital Reserves in instructional are for copiers and other instructional equipment.
Maintenance		<ul style="list-style-type: none"> - Plant Operations and Maintenance will maintain a reasonable amount for operational contingencies. - This reserve will be used for higher insurance premiums during the hard market. 	<ul style="list-style-type: none"> - Plant Operations and Maintenance will maintain \$1,500,000 toward a future facility as well as a reasonable amount for major division office repairs. - Note: \$1,288,245 relates to the wind power investment receivable which has not been received and will be received over the next 7 years. - This reserve will increase as current assets (vehicles, equipment) recorded in investment in tangible capital assets are amortized and it will decrease upon the purchase of new capital assets.
Transp		- Transportation will be eligible to maintain a reasonable operational contingency.	- This reserve will increase as current assets (buses) recorded in investment in tangible capital assets are amortized and decrease upon the purchase of new capital assets.
Health & Safety		- Health & Safety will maintain a reasonable contingency to respond to emergent needs	
Board & System Admin		- Business & System Admin will hold a reasonable contingency for Board Initiatives and operations.	